

**Title 12—DEPARTMENT OF REVENUE**  
**Division 10—Director of Revenue**  
**Chapter 111—Sales/Use Tax—Machinery and Equipment Exemptions**

**EMERGENCY AMENDMENT**

**12 CSR 10-111.100 Commercial Printers, as defined in Section 144.030, RSMo.**

The director proposes to amend the title and sections (1), (3), and (4).

*PURPOSE: This rule is being amended due to TAFP HCS SCS SB 196, enacted by the 93<sup>rd</sup> General Assembly, 2005 and TAFP CCS HCS SB 30, enacted by the 94th General Assembly, 2007.*

*EMERGENCY STATEMENT: The director finds that there is an immediate danger to the public welfare, which can only be addressed through this emergency amendment. This emergency amendment is necessary to ensure public awareness and to preserve a compelling governmental interest requiring an early effective date in that the emergency amendment informs the public of new sales tax exemptions that are available to various sellers and their customers as a result of enactment of TAFP CCS HCS SB 30 by the 94<sup>th</sup> Missouri General Assembly. These exemptions are effective August 28, 2007, and taxpayers need guidance regarding how these statutory changes impact them. A proposed amendment, which covers the same material, is published in this issue of the **Missouri Register**. The scope of this emergency amendment is limited to the circumstances creating the emergency and complies with the protections extended in the **Missouri** and **United States Constitutions**. The director believes this emergency amendment is fair to all interested persons and parties under the circumstances. This emergency amendment filed Aug. \_\_\_\_, 2007, effective Aug. 28, 2007, expires Feb. 23, 2008.*

(1) In general, sales of printed product by commercial printers are subject to tax. Purchases of materials and supplies, such as paper and ink, which become a component part or ingredient of the printed product are exempt. Other materials used by the printer may be exempt if title or ownership to the materials transfers to the customer. Purchases of machinery, equipment and parts for replacement or for a new or expanded plant are exempt if directly used in the manufacturing process. This includes printing presses and plates. *[Chemicals to develop the film and plates are not exempt unless they become an ingredient or component part of materials resold to the customer.]*

(2) Definition of Terms. See Definition of Terms in 12 CSR 10-111.010 Machinery and Equipment Exemptions.

(3) Basic Application of Tax.

(A) Sales of printed products—A business engaged in printing publications, pamphlets, catalogues, leaflets, advertising circulars, stationery and other similar products, is creating new tangible personal property and is subject to tax on the total

gross receipts from its sales. No deductions are allowed for preparing copy, artwork, compositions, phototype-setting or any other services or labor that are included in the charge to produce the final product.

(B) Ingredients and component parts—Purchases of material and supplies such as paper and ink may be purchased tax exempt by printers as ingredients or component parts under section 144.030.2(2), RSMo.

1. Chemicals that blend with and become part of the ink mixture are exempt, including:

A. The fountain solution that blends with the ink at the press to keep the non-image area clean of ink while printing;

B. Chemicals used on the rollers to keep the ink from drying out;

C. Isopropyl alcohol to keep the ink wet on the rollers; and

D. Ink anti-stain used to keep the ink from bleeding onto other printed material.

*[2. Purchases of material and supplies used in the printing process that do not blend with the ink are taxable, including:*

*A. Anti-static products used to reduce static on the printed product;*

*B. Chemicals used to clean the presses; and*

*C. Color wax used for layout purposes.]*

(C) *[Other materials transferred to customers—]* Purchases of materials, including film, used by the printer in its manufacturing process do not qualify for the sale for resale exclusion unless title or ownership to such materials is transferred to the customer. Whether title passes is based on the intent of the parties, as evidenced by all relevant facts, including written agreements, course of dealing or usage of trade and availability of the materials for future use by the customer.

(D) Chemicals—Chemicals to develop the film and plates are *[not]* exempt *[unless]* if they become an ingredient or component part of materials resold to the customer.

*[Chemicals that generally do not become an ingredient or component part include chemicals used on plates to desensitize the plates and to prevent them from oxidizing, developers, replenishers, finishers, fixers, store gum and plating solution.]*

(E) Supplies and Parts.

1. Perforation devices consumed in a single production cycle are not exempt as machinery and equipment or parts.

2. Perforation devices benefiting more than one production cycle are exempt as parts of machinery and equipment.

3. Blankets and necessary attachments are exempt as parts of machinery and equipment.

4. Proof paper and phototypesetting paper are not exempt as machinery and equipment or parts.

5. Mineral spirits used as a solvent to clean brushes, over spray and equipment are *[taxable]* **not exempt as ingredients or component parts** if used as a cleaning solvent separate from the ink. If mixed with the ink, then the mineral spirits are exempt as ingredients or component parts.

(4) Examples.

(A) A commercial printer replaces an old printing press due to obsolescence, replaces a second press due to design change and then purchases a third press to expand its production. All three printing presses may be purchased tax exempt under the machinery or equipment exemptions for replacement or expanded plant.

(B) A commercial printer purchases plates, film[, *phototypesetting paper, developer chemical for plates and film (which do not become a part of the plates or film), and press cleaning solvent that is not mixed with ink*]. The plate is exempt machinery and equipment. The printer's contract with the customer states the negatives become the property of the customer. The film is exempt as a component part of the negative. [*The phototypesetting paper does not qualify for exemption as machinery or equipment, ingredient or component part or sale for resale. The developer chemicals and cleaning solvent do not qualify for exemption as ingredients or component parts or sales for resale.*]

(C) A commercial printer states on its sales invoice its production labor charges for artwork, layout and design services separate from the charges for the printed product. The printer is subject to tax on total gross receipts including the separately stated production labor charges.

**AUTHORITY:** section 144.270, RSMo 2000. Original rule filed Oct. 11, 2001, effective April 30, 2002. Emergency amendment filed Aug. \_\_\_\_, 2007, effective Aug. 28, 2007, expires Feb. 23, 2008. A proposed rule, which covers the same material, is published in this issue of the **Missouri Register**.